

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 52 - HB 53

February 26, 2015

SUMMARY OF BILL: Exempts from state and local sales taxes, license plate registration fees and any motor vehicle privilege taxes, any motor vehicle sold, given, or donated to a veteran or active-duty service member who has a service-connected disability and who receives a United States Department of Veterans Affairs (USDVA) automobile grant.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact – \$17,200/FY14-15
\$68,800/FY15-16 and Subsequent Years

Decrease Local Revenue – \$1,200/FY14-15
\$4,700/FY15-16 and Subsequent Years

Assumptions:

- According to the USDVA, Tennessee's veteran population was 506,340 as of September of 2014, representing 2.3 percent of the total U.S. veteran population (21,999,108).
- The Veterans Administration FY15-16 budget estimates that 2,344 grants will be awarded in FY15-16, at an average amount of \$18,911, for a total cost of \$44,327,384 (2,344 x \$18,911). The maximum USDVA automobile grant is \$20,114.
- It is estimated that 54 of such grants (2,344 x 2.3%) will be awarded in Tennessee. It is further assumed that the grant is currently used to cover the purchase price of the vehicle, as well as state and local sales taxes.
- The current state sales tax rate is 7.00 percent; the state single article sales tax rate (which is levied on the portion of the purchase price above \$1,600 and below \$3,200) is 2.75 percent; the average local option sales tax rate (which can only be levied on the first \$1,600 of the purchase price) is estimated to be 2.50 percent.
- Of the entire \$18,911 grant: \$44 is spent on the state single article sales tax (\$1,600 x 2.75%); \$40 is spent on the local option sales tax (\$1,600 x 2.50%); and \$1,276 is spent on the state sales tax [(\$18,911 - \$44 - \$40) / 107.00%]. The remaining \$17,595 (\$18,911 - \$44 - \$40 - \$1,276) represents the average vehicle purchase price.
- It is estimated that, as a result of this bill, the entire \$18,911 grant will be used to cover the vehicle purchase price. Any increase in state and local revenue as a result of additional revenue to automobile dealers is estimated to be not significant.
- The recurring decrease in state sales tax revenue is estimated to be \$71,280 [54 x (\$44 + \$1,276)].
- The recurring decrease in local sales tax revenue is estimated to be \$2,160 (54 x \$40).

- The effective rate of apportionment of the state sales tax to local government, pursuant to the state-shared allocation, is estimated to be 3.617 percent. This apportionment does not apply to state revenue collected pursuant to the single article tax.
- The net recurring decrease in state sales tax revenue is estimated to be \$68,788 [$\$71,280 - (54 \times \$1,276 \times 3.617\%)$].
- The total recurring decrease in local sales tax revenue is estimated to be \$4,652 [$\$2,160 + (54 \times \$1,276 \times 3.617\%)$].
- Due to the bill taking effect upon becoming a law, it is assumed that one-fourth of the recurring impact (\$17,197 state revenue decrease; \$1,163 local revenue decrease) will occur in FY14-15.
- Pursuant to Tenn. Code Ann. § 55-4-237(a)(1), the Department of Revenue provides, free of charge, registration and license plates for any authorized motor vehicle that is registered in the name of or leased by a disabled veteran, or by the disabled veteran and the spouse of the disabled veteran, provided that such vehicle shall not be used for rehire or for any other commercial purpose.
- It is further assumed that such veterans are exempt under current law from any local motor vehicle privilege taxes. Under current law, a \$2.00 issuance fee is charged by the county clerks. It is estimated that such fee will continue to be imposed upon passage of this bill.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Jeffrey L. Spalding, Executive Director

/bos